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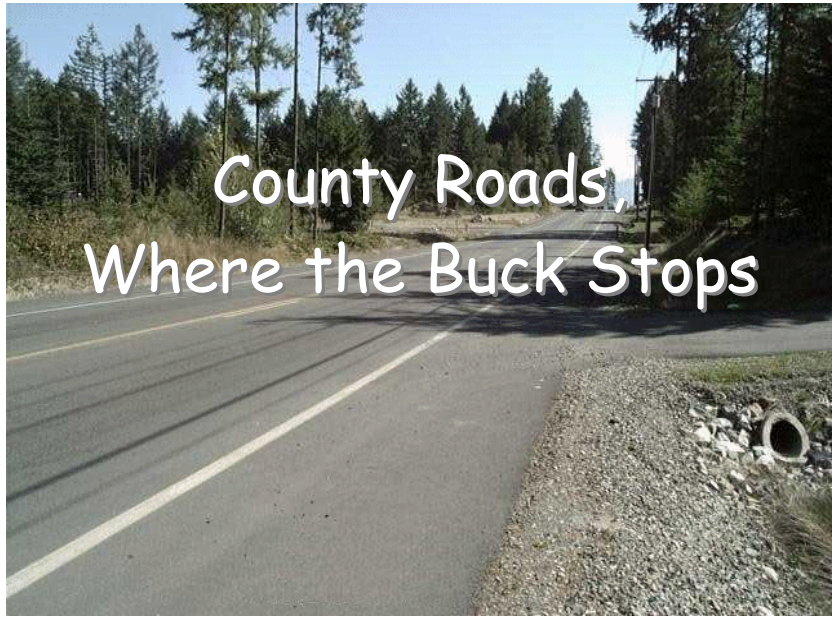


A briefing on the challenges facing
County Engineers, County Commissioners and
Legislators in addressing
County Road needs in the future.

January 2004

Every Trip Begins and Ends on a Local Road

40,300 miles of County Roads in Washington provide primary access to the vast majority of the people and resources across the Evergreen State. This network, scattered across 39 counties, ties seamlessly into city streets and state highways, providing not only the link to our friends and neighbors, but also a major economic impact on our jobs and industries.

County roads see 28 million vehicle miles each day[1]. While accounting for only about 16% of the total "daily use" across the state, the vast majority of those other miles cannot happen unless these local road trips occur first.

[1] 2002 Highway Performance Monitoring System

Expectations

We expect that County Engineers will deliver road programs as efficiently as possible.

We expect County Elected Officials will make good decisions about the needs and balance budgets to achieve the best road systems possible, given the often conflicting and difficult limitations and decisions they face.

We do not expect the federal government to "bail us out".

We expect the legislature to meet its obligations to assure that the 18th Amendment remains meaningful, and the trust given it by the citizens of the state results in appropriate funding for county roads.

only one of the safety issues.

OK, so what do we do?

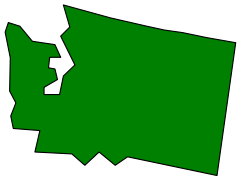
Clearly there are things that County Engineers and County Elected Officials can, and try to do, to minimize the hazards and negative economic impacts, and to provide efficiency and accountability to meet requirements of law and needs of their citizens.

"Washington Faces a Critical Problem Funding Infrastructure."

More with Less

But realistic limits exist. People and resources can only be stretched so far without breaking. "Doing more with less" sounds great, and certainly is what these loyal public servants try desperately to do. However *all* of the things they do require dollars at one level or another. When the limits are reached, then only more dollars can change the situation. Numerous recent studies all concluded that *"Washington Faces a Critical Problem Funding Infrastructure."*[9]

[9] "Local Government Infrastructure Study", authorized by the Washington State Legislature



The "Hidden" Investment

Few citizens ever see the total picture of this vast network, nor do they have the opportunity to think about the cost and impact of those critical links. They tend to take them for granted on their daily trek to the grocery store, the doctor, or workplace.

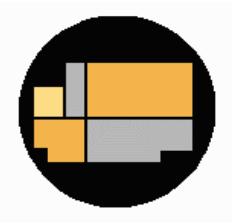
New accounting standards now allow us to obtain a glimpse of that investment; on a conservative scale, it is over $25 Billion statewide[2]. And that's only the cost to build them. Add another $750 Million annually[3] to keep them functioning.

How are they funded? County roads funding comes in part from the County Road Levy in each county, and the county share of the state's Motor Vehicle Fuel Tax (considered by many to be the most fair user fee or 'utility rate' existing today). These two sources provide about 55% of the county road budgets, while the remaining 45% comes from non-discretionary state and federal grants tied to specific projects.

[2] 2003 State Audit confirms the estimated constructed value of the 1,031 miles in Thurston County is over $634 million. That averages over $615,000 per mile.

[3] 2002 County Road Reports to WSDOT Secretary of Transportation

Who's Accountable?



With at least three highly accountable "watchdogs", the County Commissioners, (who live near and are closest to the people – everyone knows where to find them) overseeing the County Road Engineer and his operations, a personal and extremely high degree of accountability exists.

Further, the County Road Administration Board, an independent state agency, provides full oversight[4]. CRAB publishes "Standards of Good Practice", to put clear meaning to state law that County Engineers are required to follow to assure day to day maintenance, accomplish proper design and safety, and deliver projects to preserve and improve this huge investment.

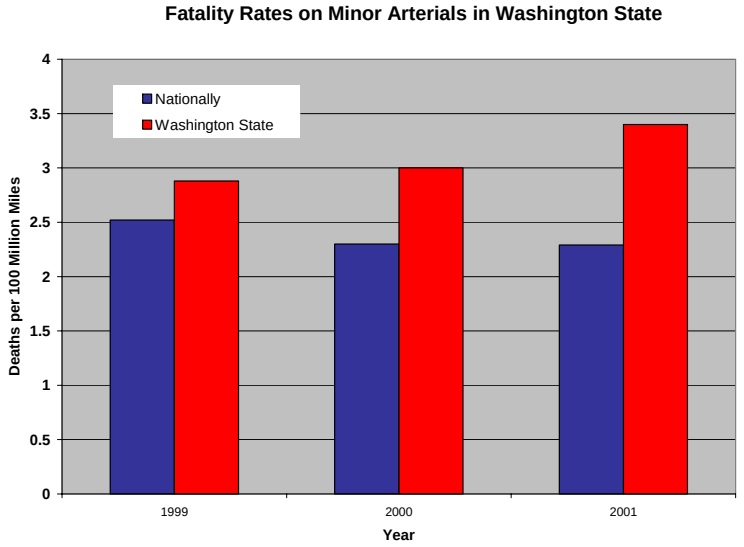
Last, county road finances and accounting are checked on annually by the State Auditor[5].

State Interest

We often hear discussions about "state interest". Is not state interest those things the legislature determines to be of such broad public interest it reserves to itself the responsibility to set standards, assure state-level oversight, and to provide adequate funding levels?

[4] 36.80 Revised Code of Washington

[5] 43.09 Revised Code of Washington



cantly higher[8].

Who do you know who will not come home from a trip on a two lane local road?

A common misperception is "we can fix this problem with higher standards." The reality is that current standards, had all roads been constructed to them, are generally acceptable and safe. An analysis of county roads in Washington State shows there are over 1,500 miles of rural arterials (where the trucks operate) that have less than a 24 foot wide surface[9]. More than 50% of the rural arterials and collectors do not meet current standards.

Total cost to bring the two lane Rural Arterials and Collectors to current standards? Well into the billions. Virtually all of these roads came into existence before current standards existed, some during horse and buggy days. And that's

[9] County Road Information System, Road Log Analysis, County Road Administration Board

only the legislature can adjust it. It is too often forgotten that it is an existing "utility rate" that, like all other economic issues, is subject to inflation and must be periodically adjusted to maintain an ability to respond to increasing costs of business. Worse, it seems to have been forgotten by both the public and legislature that the 5 cent increase last year for the first time completely bypassed a distribution formula that helped keep our *entire* road system on a relatively even keel.

The Safety "Secret"

> *"If you are going to be killed, it will be on a two lane road."*

Jay Weber, Executive Director of CRAB, and a former County Commissioner with eleven years experience in that arena as well as his service at CRAB, states a fact that few ever hear.

Safety experts name nine road conditions that are considered potentially dangerous. They are roadside hazards, road surface conditions, narrow roads and bridges, railroad crossings, work zones, intersections, roadway design limitations, access problems, and bike & pedestrian traffic. Where do you most often find a combination of these factors? On county roads.

The safety of many local roads is limited because they were built to serve fewer cars traveling at slower speeds. Fatality rates on these roads can be *five times* as high as on the highly traveled and high-speed Interstate system[7]. Worse, in our state, compared to national averages, the fatal accident rates on minor arterials, that include a high number of county roads, are signifi-

[7] Roadway Safety Guide, Roadway Safety Foundation, Washington, D.C.

[8] Fatal Accident Reporting System (FARS), Federal Highway Administration

"Business 101"

We too often think about business and economics in terms of direct sales dollars, or the amount traded on the New York Stock Exchange on a given day. The reality is that the economic net spreads far and wide in a free enterprise system and all of it boils down to businesses, their owners and employees.

How many businesses can you think of that do **not** need a local road for access for its products, services, employees and customers? What happens if that trip cannot begin or end? That becomes very important as businesses turn more and more to "on time delivery", requiring that parts and resources be delivered the day they are used rather than sitting in expensive inventories.

- In Benton County, thousands of tons of hay are raised and shipped both domestically and abroad in both baled and pellet form. When the container ship leaves the Port of Benton for the Far East, it doesn't wait for winter road restrictions to be lifted. One day late can mean the end of a pellet plant and all of the employees on the unemployment roles in a matter of days.

- In Chelan County, those beautiful red Washington apples must get from the orchard to the packing facility; then from the distribution points to the stores. One week late means a crop lost, family farms lost, and more unemployment in an area already suffering economic hardships.

- In King County, parts must get from the local machine shop to the Boeing assembly plant, on time. One week late can mean the loss of a $100 million sale for a U.S. company and one more sale for a European company. The owner and the dozen or so employees at the machine shop are just the beginning of the economic damage.

- In Thurston County, the annual Christmas tree harvest happens in a few weeks time, and those trees must get from the forest farm, typically on a county road, to the tree lot or the port. One week late means millions in lost sales and more small businesses in financial stress, possibly bankrupt.

These are only a few of the examples of what your multi-billion dollar county road investment supports.

Who Pays?

Debates have abounded over the last couple of years on funding and funding mechanisms. Some of those ideas suggested that each local government can solve its own problems.

> "What would Interstate 90 look like east of Snoqualmie Pass were it dependent totally on local taxing ability?"

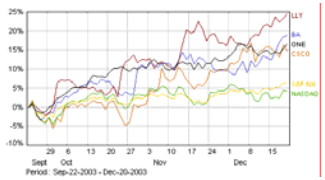
Certainly we all desire to control our own destiny. However, the best example, in its broadest sense, of the impacts of such an approach can be demonstrated by the question "What would Interstate 90 look like east of Snoqualmie Pass were it dependent totally on local taxing ability?" It has long been understood that some things are of such universal interest and benefit that we must all share in their cost. Highways, roads and streets constitute one of those areas.

Motor Vehicle Fuel Tax

The fuel tax was created to provide a simple way to collect a user fee to which each citizen would contribute based upon direct use of the highway system. It responds to business changes in that if a business needs more travel to assure production or distribution of products, it pays a proportionate share, and like all other business expenses, it gets shared in its prices. The Washington State Constitution was even amended many years ago to help assure the health of our road and highway systems!

A Street Utility?

Mr. Hugh Spitzer, a leading government and public finance expert in our state with the highly respected Seattle law firm **Foster Pepper & Shefelman**, recently stated that with the constitutionally restricted uses of fuel taxes, "We already have a street utility!"[6]



Mr. Spitzer went on to explain its simplicity, its relationship to road funding, and some of its advantages and limitations. Bottom line however is that it is "inelastic" because unlike the stock market, it is a fixed rate that fails to respond to inflation and

[6] Infrastructure Investment Advisory Council (IACC) 2003 Conference, Wenatchee, WA